



BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

Arizona Corporation Commission
DOCKETED
DEC 12 2012
DOCKETED BY nr

JOHNSON UTILITIES L.L.C.'S CENTRAL
ARIZONA GROUNDWATER
REPLENISHMENT DISTRICT ("CAGRD")
ADJUSTOR RESET (DOCKET NO. WS-
02987A-08-0180)

DOCKET NO. WS-02987A-08-0180
DECISION NO. 73617
ORDER

Open Meeting
December 11 and 12, 2012
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. On October 25, 2012, pursuant to Decision No. 71854 (August 24, 2010) and as modified by Decision No. 73284 (July 30, 2012), Johnson Utilities L.L.C. ("Johnson" or "Company") filed with the Arizona Corporation Commission ("Commission") the Company's proposed Central Arizona Groundwater Replenishment District ("CAGRD") adjustor fees.

2. Decision No. 71854 authorized the Company to implement an adjustor mechanism, subject to certain conditions, to recover the costs paid to the CAGRD for replenishment of excess groundwater. The conditions as modified by Decision No. 73284 require the Company to submit, by October 25 of each year, for Commission consideration, its proposed CAGRD fees for the next twelve-month period (along with documentation from the relevant state agencies to support the

calculations), to apply to all water sold after December 1.¹ Accordingly, the Company made the instant filing.

Background

3. The CAGRDR was established by the Arizona legislature to serve as a groundwater replenishment entity for its members and provides a mechanism for designated water supply providers such as Johnson to demonstrate a 100-year water supply. Members pay the CAGRDR to replenish any groundwater pumped by the member that exceeds the specified pumping limits. The CAGRDR is recognized as an important tool in Arizona's groundwater conservation efforts.

Annual Membership Dues

4. Subsequent to the implementation of the Company's initial adjustor, the Arizona legislature enacted Arizona Revised Statutes § 48-3779, which authorized the CAGRDR to charge annual membership dues ("AMDs") "on all parcels of member lands and on all municipal providers having a member service area," in addition to the charges for replenishment of excess groundwater. The sole purpose of the AMDs is "to pay costs associated with the acquisition, lease or exchange of water or water rights and development of infrastructure necessary for the district to perform its replenishment obligations."²

5. The Commission in Decision No. 72634, concluded that the inclusion of the AMDs in the calculation of the CAGRDR adjustor is appropriate and in the public interest.

Calculation of the CAGRDR Adjustor Fees

6. Decision No. 71854 specified nine conditions regarding the CAGRDR Adjustor. Condition No. 6 ordered that the adjustor fees be calculated as follows: "The total CAGRDR fees paid by the Company for the most current year . . . shall be divided by the gallons sold by the Company in that year to determine a CAGRDR adjustor fee per 1,000 gallons."³

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¹ Decision No. 73284, page 3, lines 2 through 8.

² Arizona Revised Statutes § 48-3779(B).

³ Decision No. 71854, page 43 starting on line 23 and continuing through page 44, line 2.

7. Condition Nos. 2 and 3 ordered that the Company “place all CAGR D monies collected from customers in a separate, interest bearing account,” only to be withdrawn for the annual payment to the CAGR D, due on October 15 of each year.⁴

8. In addition, although the order did not contain an explicit provision for a true-up, the parties were in agreement that such an annual true-up would occur at the time of the adjustor reset each year. This understanding was confirmed by the Commission’s provision for a true-up in Decision No. 72634.⁵

9. The Company proposes a rate of \$1.51 per thousand gallons (“kgal”) for its Phoenix AMA, and a rate of \$0.31 per kgal for its Pinal AMA. Staff has reviewed the Company’s proposed calculations and the supporting documentation submitted with its request. Staff agrees with the methodology employed by the Company to calculate the true-up and the proposed adjustor rate, as discussed below.

Phoenix AMA

True-up

10. The CAGR D invoice to Johnson for the 2010 annual replenishment assessment was \$1,921,311.00. Johnson reports that, as of September 30, 2012, the Company will have total collections and interest of \$1,683,480.23.⁶

11. This true-up calculation indicates an under-collection of approximately \$410,812.48 as follows:

A	2009 under-collection of	\$ 172,982.48
	CAGR D invoice	
B	2010 CAGR D invoice	\$1,921,311.00
C	Less: Collections and	<u>\$1,683,480.23</u>
	interest through	
	September 2012	

⁴ Decision No. 73283, page 3, lines 2-8.

⁵ Decision No. 72634, page 4, lines 18-20.

⁶ Company’s application dated October 25, 2012.

1 D 2010 CAGR under- \$ 410,812.48
 2 collection [A+B-C]
 3

4 **Adjustor Fee**

5 12. The CAGR invoice to Johnson for 2011 indicates total fees and dues of
 6 \$3,070,866.12. The Company's 2011 annual report as submitted to ADWR indicates annual water
 7 sales (in kgal) of 2,299,872.65.

8 13. Staff's calculation of the new CAGR adjustor fee is shown below. The fee is \$1.51.

9	A	2011 CAGR invoice	\$ 3,070,866.12
10	B	Plus under-collection from	<u>410,812.48</u>
11		2010	
12	C	Amount to be recovered	3,481,678.60
13		[A+B]	
14	D	Total kgal sold in 2011	<u>2,299,872.65</u>
15	E	Charge per kgal [C ÷ D]	\$ <u>1.51</u>

16 **Pinal AMA**

17 **True-up**

18 14. The CAGR invoice to Johnson for the 2010 annual replenishment assessment was
 19 \$53,963.00. Johnson reports that, as of September 30, 2012, the Company will have total
 20 collections and interest of \$55,133.76.⁷

21 15. This true-up calculation indicates an under-collection of approximately \$2,561.59 as
 22 follows:

23	A	2009 under-collection of CAGR	\$ 3,732.35
24		invoice	
25	B	2010 CAGR invoice	\$ 53,963.00
26	C	Less: Collections and interest	<u>\$ 55,133.76</u>
27		through September 2012	
28			

⁷ Company's application dated October 25, 2012.

1 D 2010 CAGRD under-collection \$ 2,561.59
2 [A+B-C]

3
4 **Adjustor Fee**

5 16. The CAGRD invoice to Johnson for 2011 indicates total fees and dues of \$72,995.62.
6 The Company's 2011 annual report as submitted to ADWR indicates annual water sales (in kgal)
7 of 241,963.92.

8 17. Staff's calculation of the new CAGRD adjustor fee is shown below. The fee is \$0.31.

9	A	2011 CAGRD invoice	\$ 72,995.62
10	B	Plus under-collection from	<u>2,561.59</u>
11		2010	
12	C	Amount to be recovered	75,557.21
13		[A+B]	
14	D	Total kgal sold in 2011	<u>241,963.92</u>
15	E	Charge per kgal [C ÷ D]	\$ <u>0.31</u>

16 **Conclusions and Recommendations**

17 1. Staff concludes that the Company has duly filed the appropriate request to revise
18 the CAGRD adjustor fees, as required by Decision No. 73283.

19 2. Staff concludes that inclusion of the AMDs in the calculation of the CAGRD adjustor
20 fees is appropriate.

21 3. Staff recommends approval of the CAGRD adjustor fees as described herein.

22 4. Staff recommends that the Company file, within 7 days of a Decision in this matter, the
23 CAGRD adjustor fee tariffs consistent with the rates approved herein.

24 5. Staff recommends that the Company notify its customers of the CAGRD adjustor fee
25 tariffs approved herein within 30 days from the effective date of the Decision.

26 6. Staff recommends that the CAGRD adjustor fees authorized herein become effective
27 for all billings after December 1, 2012.

28 ...

CONCLUSIONS OF LAW

2. The Commission has jurisdiction over the Company and the subject matter of the application.

4. It is in the public interest to approve the Company's request for implementation of the CAGR adjustor fees as discussed herein.

ORDER

IT IS FURTHER ORDERED that the CAGR adjustor fees for Johnson Utilities L.L.C. shall be \$1.51 per 1,000 gallons for the Phoenix AMA and \$0.31 per 1,000 gallons for the Pinal AMA.

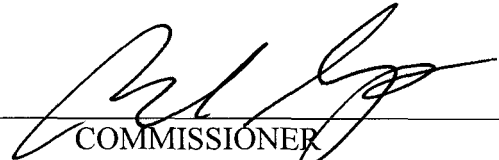
IT IS FURTHER ORDERED that Johnson Utilities L.L.C. docket with the Commission as a compliance matter, within seven (7) days of the effective date of this Decision, CAGR D adjustor fee tariffs consistent with the rates approved herein.

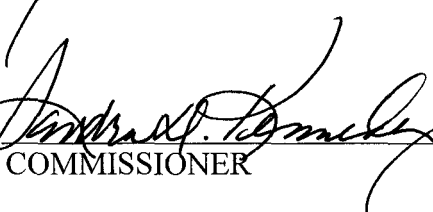
IT IS FURTHER ORDERED that Johnson Utilities L.L.C. shall notify its customers of the CAGR D adjustor fees approved herein within 30 days of the effective date of this Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

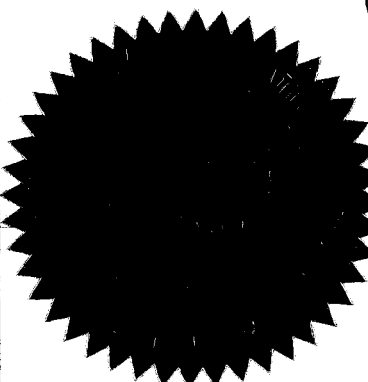

CHAIRMAN


COMMISSIONER


COMMISSIONER

EXCUSED
COMM. NEWMAN
COMMISSIONER


COMMISSIONER



IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 12th day of December, 2012.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JA:sms

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